

2023 ANNUAL REPORT



MAKING MORE POSSIBLE

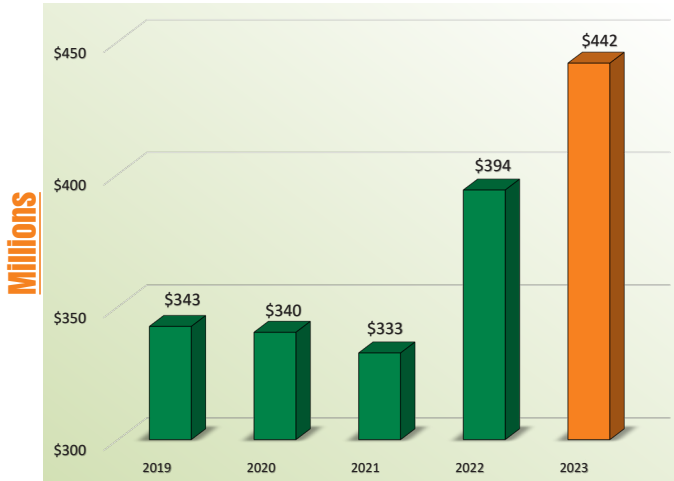
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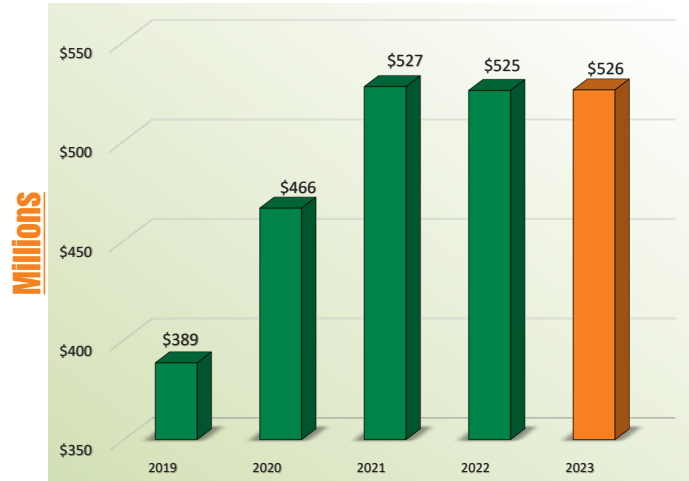
CommunityBanc, Inc.

FINANCIAL HIGHLIGHTS

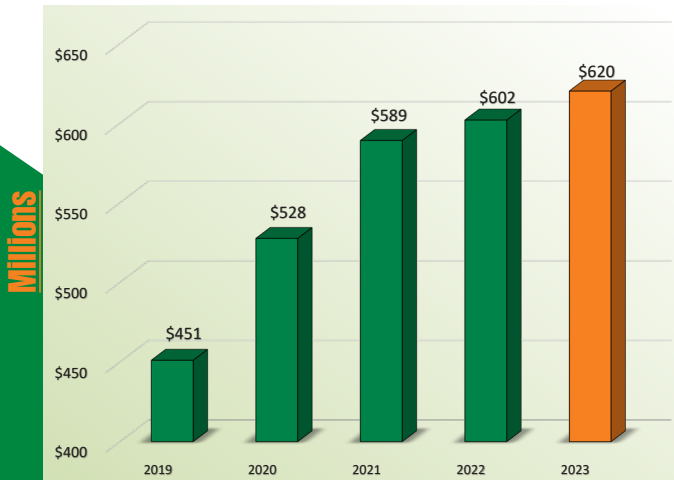
Total Loans



Total Deposits



Total Assets



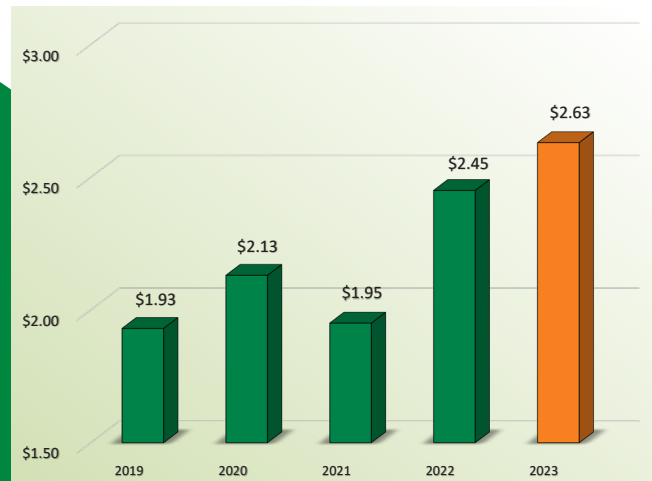
Reserve for Credit Losses



Net Income



Earnings Per Share



NAMED ONE OF
**AMERICA'S BEST
REGIONAL
BANKS**
BY NEWSWEEK
2024



**CHOOSE
LOCAL**

TO OUR SHAREHOLDERS

In preparing to write this letter I reviewed past letters from 2019-2022 and the quarterly updates from 2023. Two themes caught my attention, the first being that change is constant. From a global pandemic to liquidity challenges to rapidly rising interest rates, there has been a variety of changes. The second theme is success. Through all of these changes, our bank has continued to grow and do so in a profitable manner. Our team is determined to succeed regardless of the environment and continues to produce solid results for our shareholders. Investments in technology, staffing and potential branch opportunities are possible because of this success.

Recently the bank was named by Newsweek as one of the Best Regional Banks for 2024. These rankings exclude the largest mega-banks and focus on regional and community institutions. "Unlike their larger counterparts, these institutions are deeply rooted in local economies, understanding the unique needs of the people they serve". We are honored by this award and are proud to continue to operate as a true community bank.


As you review the 2023 annual report, you will notice that total assets grew to \$620M and net income increased to \$5.9M (\$2.63 per share). Loan growth was strong and deposit growth flat during the year. This has resulted in some short-term liquidity challenges that seem to be prevalent in our industry. These should be resolved during 2024 with maturities from our investment portfolio and a focus on gathering deposits.

Competition for deposits has been subdued for several years during the near zero interest rate policy by the Federal Reserve. This changed in 2023 with the rapid increase in rates and aggressive pricing by non-banks in money market and CD products. Interest expense increased and net interest margin decreased during this period. Credit quality remains solid with substandard assets of \$3.2M or 4.90% of Tier 1 Capital plus reserves. By comparison, this was 17.51% at the end of 2021. Delinquency ended the year at .50% on a loan portfolio of \$441.9M.

Dividends of \$.46 were paid during 2023 and bank capital to assets is 8.99% with Tier 1 capital at 9.82%. Return on assets was 1.02% at the bank and return on equity 12.83%.

Our annual Shareholder's meeting will be held on April 18 at the Muskingum County Welcome Center. I hope to see many of you there and look forward to discussing our 2023 performance as well as our plans for 2024.

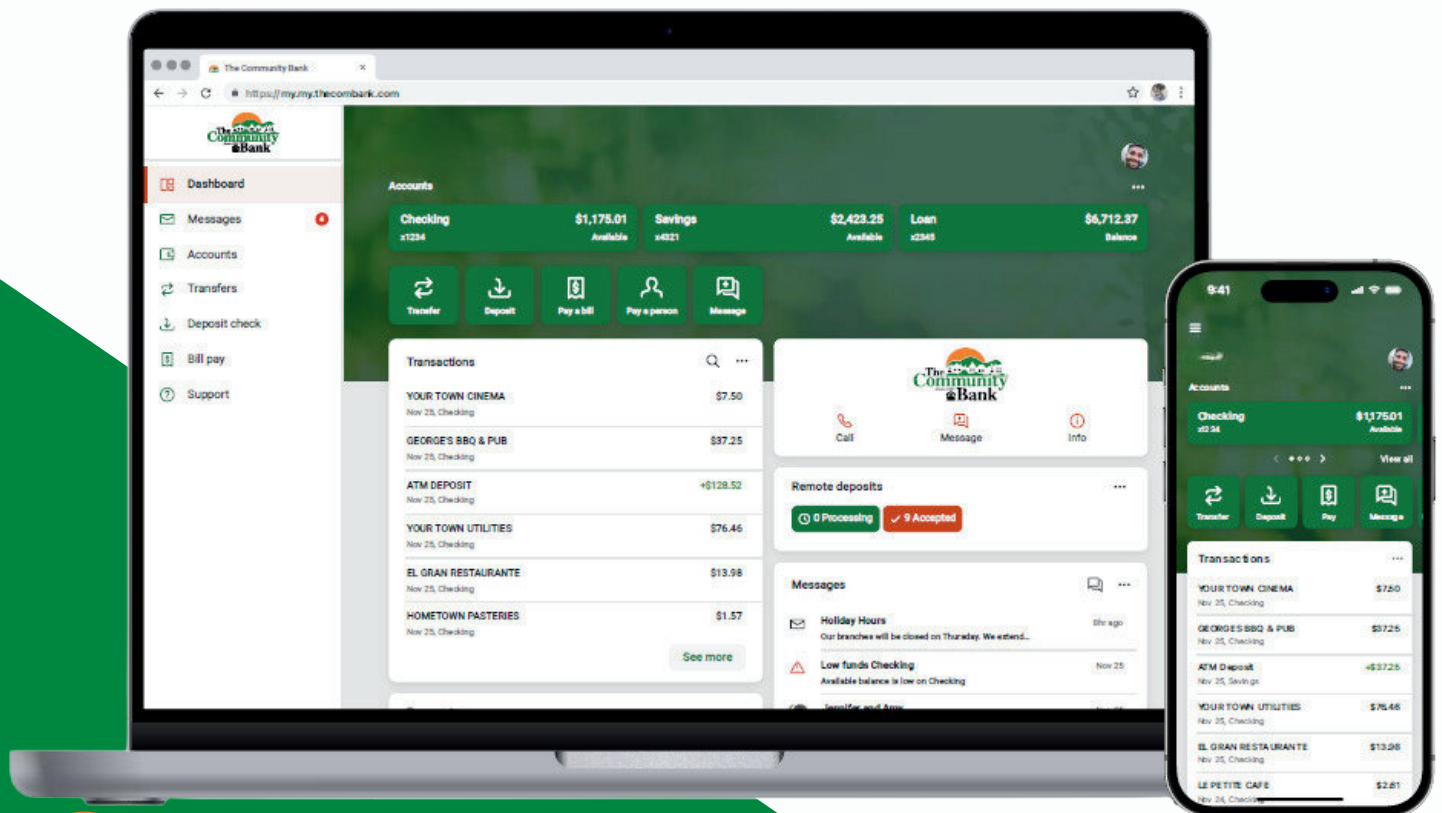
Thank you to our shareholders as we strive to remain an independent community bank.


Eric S. Holsky
President and CEO




Terry L. Goss
Chairman of the Board









TCB MAKING MORE POSSIBLE FOR YOU










**YOUR NEW
DIGITAL
EXPERIENCE!**



DISCOVER OUR NEW DIGITAL BANKING

-  Touch ID & FaceID Enabled For Mobile App
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-  Transfer Money (TCB and non-TCB Accounts)
-  Personalize Your App
-  Control Your TCB Debit Card
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-  Integrate All Financial Accounts
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APPLE STORE



GOOGLE PLAY STORE

COMMUNITYBANC, INC.

ZANESVILLE, OHIO

AUDIT REPORT

DECEMBER 31, 2023

COMMUNITYBANC, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
CommunityBanc, Inc.
Zanesville, Ohio

Opinion

We have audited the accompanying consolidated financial statements of CommunityBanc, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022; the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 8, 2024

COMMUNITYBANC, INC.
CONSOLIDATED BALANCE SHEET

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
ASSETS		
Cash and due from banks	\$ 14,857,682	\$ 19,298,545
Federal funds sold	<u>7,693,000</u>	<u>8,046,000</u>
Cash and cash equivalents	22,550,682	27,344,545
Investment securities available for sale	117,233,603	140,228,292
Investment securities held to maturity, fair value of \$8,469,644 and \$9,591,556	9,402,272	10,734,567
Loans held for sale	499,167	-
Loans	441,881,966	394,048,197
Less allowance for credit losses	<u>4,583,812</u>	<u>4,891,522</u>
Net loans	437,298,154	389,156,675
Premises and equipment	12,694,636	11,913,001
Goodwill	2,290,600	2,290,600
Intangible asset	303,941	429,351
Accrued interest receivable	1,942,473	1,512,807
Bank-owned life insurance	10,941,497	10,683,446
Regulatory stock	1,749,800	1,424,200
Deferred tax asset	2,083,094	2,760,225
Other assets	<u>1,195,780</u>	<u>3,475,658</u>
TOTAL ASSETS	\$ <u>620,185,699</u>	\$ <u>601,953,367</u>
LIABILITIES		
Deposits:		
Demand	226,095,189	257,262,084
Savings	94,336,290	115,602,148
Money market	52,459,106	42,135,434
Time	<u>152,827,140</u>	<u>110,457,356</u>
Total deposits	525,717,725	525,457,022
Short-term borrowings	27,000,000	20,000,000
Accrued interest and other liabilities	<u>7,416,239</u>	<u>3,946,097</u>
TOTAL LIABILITIES	\$ <u>560,133,964</u>	\$ <u>549,403,119</u>
STOCKHOLDERS' EQUITY		
Preferred Stock, no par value; 1,500 shares authorized; none issued		
Common stock, no par value; 7,000,000 authorized		
2,266,527 shares issued, 2,259,542 and 2,266,527 shares		
outstanding as of December 31, 2023 and 2022	28,668,912	28,633,941
Retained earnings	38,983,593	34,088,553
Accumulated other comprehensive loss	(7,324,400)	(10,172,246)
Treasury stock, at cost, 6,985 and 0 shares	<u>(276,370)</u>	<u>-</u>
TOTAL STOCKHOLDERS' EQUITY	<u>60,051,735</u>	<u>52,550,248</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>620,185,699</u>	\$ <u>601,953,367</u>

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENT OF INCOME

	December 31, 2023	December 31, 2022
INTEREST INCOME		
Interest and fees on loans	\$ 23,815,309	\$ 18,135,808
Interest and dividends on investment securities:		
Taxable	2,419,238	1,989,610
Exempt from federal income tax	374,592	405,402
Interest-bearing deposits in other banks	123,171	212,460
Federal funds sold	318,400	446,720
Total interest income	<u>27,050,710</u>	<u>21,190,000</u>
INTEREST EXPENSE		
Deposits	5,386,460	2,109,259
Short-term borrowings	789,163	30,825
Total interest expense	<u>6,175,623</u>	<u>2,140,084</u>
NET INTEREST INCOME	20,875,087	19,049,916
Provision for credit losses-loans	(185,600)	(80,000)
Provision for credit losses-off balance sheet commitments	425,600	-
Total provision for credit losses	<u>240,000</u>	<u>(80,000)</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>20,635,087</u>	<u>19,129,916</u>
OTHER INCOME		
Customer service fees	780,159	940,308
Other service charges and fees	2,467,990	2,539,704
Net gains on loan sales	73,104	199,114
Earnings on life insurance	366,118	351,530
Wealth management fees	1,884,509	1,919,827
Other (other income)	179,186	27,240
Total other income	<u>\$ 5,751,066</u>	<u>\$ 5,977,723</u>
OTHER EXPENSE		
Salaries and employee benefits	10,201,188	9,288,134
Net occupancy expense	1,634,088	1,645,170
Equipment expense	361,607	425,735
Advertising	571,753	514,759
Franchise taxes	457,389	459,500
Amortization of intangible assets	125,410	125,410
Office supplies and printing	223,867	170,560
Debit/ATM interchange expense	829,089	841,957
Audit and legal expense	501,811	461,489
FDIC Insurance	276,150	207,000
Other (other expense)	3,841,034	4,086,485
Total other expense	<u>19,023,386</u>	<u>18,226,199</u>
Income before income taxes	7,362,767	6,881,440
Income taxes	1,426,703	1,343,594
NET INCOME	<u>\$ 5,936,064</u>	<u>\$ 5,537,846</u>
EARNINGS PER SHARE	\$ 2.63	\$ 2.45
AVERAGE SHARES OUTSTANDING	2,258,257	2,260,863

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,	
	2023	2022
Net income	\$ 5,936,064	\$ 5,537,846
Components of other comprehensive income (loss):		
Change in unrealized gains (losses) on available-for-sale securities	3,604,868	(11,950,689)
Tax effect	(757,022)	2,509,645
Total other comprehensive income (loss)	2,847,846	(9,441,044)
Total comprehensive income (loss)	\$ 8,783,910	\$ (3,903,198)

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2021	2,263,619	\$ 28,507,948	\$ 29,567,675	\$ (731,202)	\$ (185,300)	\$ 57,159,121
Net income	-	-	5,537,846	-	-	5,537,846
Other comprehensive loss	-	-	-	(9,441,044)	-	(9,441,044)
Dividends declared (\$.45 per share)	-	-	(1,016,968)	-	-	(1,016,968)
Purchase of treasury stock (1,200 shares)	-	-	-	-	(44,050)	(44,050)
Common shares issued	2,908	117,192	-	-	-	117,192
Sale of treasury stock (6,076 shares)	-	8,801	-	-	229,350	238,151
Balance, December 31, 2022	<u>2,266,527</u>	<u>28,633,941</u>	<u>34,088,553</u>	<u>(10,172,246)</u>	<u>-</u>	<u>52,550,248</u>
Net income	-	-	5,936,064	-	-	5,936,064
Other comprehensive income	-	-	-	2,847,846	-	2,847,846
Dividends declared (\$.46 per share)	-	-	(1,041,024)	-	-	(1,041,023)
Purchase of treasury stock (15,244 shares)	-	-	-	-	(601,208)	(601,209)
Sale of treasury stock (8,259 shares)	-	34,971	-	-	324,838	359,809
Balance, December 31, 2023	<u><u>2,266,527</u></u>	<u><u>\$ 28,668,912</u></u>	<u><u>\$ 38,983,593</u></u>	<u><u>\$ (7,324,400)</u></u>	<u><u>\$ (276,370)</u></u>	<u><u>\$ 60,051,735</u></u>

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2023	2022
OPERATING ACTIVITIES		
Net income	\$ 5,936,064	\$ 5,537,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	1,279,884	1,492,835
Provision for credit losses -loans	(185,600)	(80,000)
Provision for credit losses -off balance sheet commitments	425,600	-
Deferred income taxes	(79,891)	161,565
Earnings on bank-owned life insurance	(366,118)	(351,530)
Originations of loans held for sale	(3,247,045)	(7,078,202)
Proceeds from the sale of loans	2,820,982	8,321,228
Gain on the sale of loans	(73,104)	(199,114)
Increase in accrued interest receivable	(429,666)	(361,074)
Increase (decrease) in accrued interest payable	1,438,916	(99,465)
(Decrease) increase in accrued federal income tax payable	(109,538)	336,614
Increase (decrease) in accrued expenses payable	643,321	(156,981)
Other, net	1,228,603	(655,232)
Net cash provided by operating activities	9,282,408	6,868,490
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from principal repayments, calls, and maturities	26,984,899	31,167,848
Purchases	-	(88,645,061)
Investment securities held to maturity:		
Proceeds from principal repayments, calls, and maturities	1,389,343	2,775,223
Purchases	(60,000)	(94,343)
Net increase in loans	(46,530,807)	(61,994,090)
Purchase of regulatory stock	(833,100)	(403,800)
Proceeds from the sale of regulatory stock	507,500	279,700
Purchases of premises and equipment	(1,541,766)	(634,306)
Proceeds from the sale of premises and equipment	-	149,451
Proceeds from sale of other real estate owned	29,380	317,023
Proceeds from sale of repossessed assets	-	50,000
Net cash used for investing activities	(20,054,551)	(117,032,355)
FINANCING ACTIVITIES		
Net increase in deposits	260,703	(1,911,183)
Net increase in short-term borrowings	7,000,000	20,000,000
Purchase of treasury stock	(601,209)	(44,050)
Sale of treasury stock	359,809	238,151
Common stock issued	-	117,192
Cash dividends paid	(1,041,023)	(1,016,968)
Net cash provided by financing activities	5,978,280	17,383,142
Decrease in cash and cash equivalents	(4,793,863)	(92,780,723)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,344,545	120,125,268
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22,550,682	\$ 27,344,545
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 4,736,707	\$ 2,239,549
Income taxes	1,625,000	825,000
Noncash investing activity:		
Loans transferred to real estate owned	24,576	320,000
Loans transferred to repossessed assets	-	50,000

See accompanying notes to the consolidated financial statements.

COMMUNITYBANC, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

CommunityBanc, Inc. (the “Company”) is an Ohio company organized as the holding company of The Community Bank (the “Bank”), and Community Properties of Zanesville, Inc. (CPI). Community Financial Advisors (CFA) is a division of the Bank. The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Muskingum and surrounding counties of Central Ohio. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. CFA offers wealth management services including brokerage, financial planning, and retirement planning. CPI is a real estate holding company.

The consolidated financial statements of the Company include its wholly owned subsidiaries. All significant intercompany items have been eliminated in preparing the consolidated financial statements. The investment in subsidiaries on the parent company financial statements is carried at the parent company’s equity in the underlying net assets of the entity.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheet date and reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Accounting Pronouncements Adopted in 2023

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments – Credit Losses Topic 326: Measurement of Credit Losses on Financial Instruments and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investments in leases, off-balance sheet credit such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is more likely than not they will be required to sell. This guidance became effective on January 1, 2023 for the Company. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported with previously applicable accounting standards.

The Company adopted this guidance, and subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans, available for sale debt securities, held to maturity debt securities, and unfunded commitments. On January 1, 2023, the Company did not record a cumulative effect adjustment to retained earnings because the overall impact of the adoption was insignificant to the recorded balance of the allowance for credit losses.

Investment Securities

Investment securities are classified at the time of purchase, based on management’s intention and ability, as securities held to maturity or securities available for sale. Debt securities acquired with the intent and ability to hold to maturity are stated at cost and adjusted for amortization of premium and accretion of discount that are computed using the level yield method and recognized as adjustments of interest income. Certain other debt securities have been classified as available for sale to serve principally as a source of liquidity. Unrealized holding gains and losses for available for sale securities are reported as a separate component of stockholders’ equity, net of tax, until realized. Realized securities gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB. There was no impairment of the FHLB stock as of December 31, 2023 or 2022.

Allowance for Credit Losses - Available-For-Sale ("AFS") and Held-To-Maturity ("HTM") Debt Securities

Effective January 1, 2023, the allowance for credit losses on investment securities is determined for both HTM and AFS investments in accordance with Accounting Standards Codification ("ASC") Topic 326 ("ASC 326") - "Financial Instruments-Credit Losses."

For HTM securities, management measures expected credit losses on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$59,235 and \$62,915 at December 31, 2023 and 2022, respectively and is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The HTM securities portfolio consists solely of obligations of states and political subdivisions. Management evaluates whether the issuer or other obligor will be able to pay interest and principal in full and evaluates the financial condition of the issuer or other obligor. At December 31, 2023, these securities are considered investment-grade by various ratings agencies.

For AFS securities, the Company performs a monthly qualitative evaluation for securities in an unrealized loss position to determine if the decline in fair value below the security's amortized cost is credit related or non-credit related. In determining whether a security's decline in fair value is credit related, the Company considers a number of factors including, but not limited to: (i) the extent to which the fair value of the investment is less than its amortized cost; (ii) the financial condition and near-term prospects of the issuer; (iii) downgrades in credit ratings; (iv) payment structure of the security; (v) the ability of the issuer of the security to make scheduled principal and interest payments; and (vi) general market conditions which reflect prospects for the economy as a whole, including interest rates and sector credit spreads. If it is determined that the unrealized loss, or a portion thereof, is credit related, the Company records the amount of credit loss through a charge to provision for credit losses in current period earnings. However, the amount of credit loss recorded in the current period's earnings is limited to the amount of the total unrealized loss on the security, which is measured as the amount by which the security's fair value is below its amortized cost. If the Company intends to sell, or if it is more likely than not that the Company will be required to sell a security in an unrealized loss position before the recovery of its amortized cost basis, the total amount of the unrealized loss is recognized in the current period's earnings. Unrealized losses deemed non-credit related are recorded, net of tax, through accumulated other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities totaled \$291,030 and \$322,759 at December 31, 2023 and 2022, and is excluded from the estimate of credit losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Available-For-Sale (“AFS”) and Held-To-Maturity (“HTM”) Debt Securities (Continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become greater than 90 days delinquent. Interest accrued but not received when a security is placed on nonaccrual status is reversed against interest income.

Loans Held For Sale

Loans held for sale are carried at the lower of cost or fair value, as determined on an aggregate basis. Gains and losses on sales of loans held for sale are recognized on settlement dates and are determined by the difference between the sale proceeds and the carrying value of loans.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount net of the allowance for credit losses. Interest on loans is recognized as income when earned on the accrual method. The Company’s policy is to discontinue the accrual of interest on loans when payments are 90 days past-due unless in management’s estimation interest collection is probable based upon economic and business conditions of the borrower. Payments received on nonaccrual loans are recorded as income or applied against principal according to management’s judgment as to the collectability of such principal. Loans are returned to accrual status when past due interest is collected and the collection of principal is probable.

Allowance for Credit Losses - Loans (Subsequent to the Adoption of ASC 326 on January 1, 2023)

Effective January 1, 2023, the Company accounts for credit losses on loans in accordance with ASC 326 – “Financial Instruments-Credit Losses”. The allowance for credit losses for loans (“ACL”) is a provision to account for the expected losses and represents the amount that management forecasts for the probable losses inherent in its current loan portfolio. The ACL provision is based on management’s current judgment and expected performance concerning the credit quality, underwriting, and the potential for loss within the loan portfolio. Included as part of management’s judgment is an evaluation of the overall risk characteristics within the various portfolio segments. The evaluation and review of the Company’s risk characteristics includes the trends in delinquencies, originations, underwriting characteristics, levels of classified loans, lifetime historical loan losses and recoveries as well as trends in various other internal and external factors that may affect the collectability of a loan as of the reporting date. This periodic evaluation and review allows management to determine the adequacy of the ACL and to insure the ACL is sufficient to absorb any future losses.

The Company’s methodologies for determining the adequacy of ACL are set forth in a formal Asset Classification policy and take into consideration the need for an ACL for loans evaluated on a collective pool basis which have similar risk characteristics, as well as allowances that are tied to individual loans that do not share risk characteristics and are individually evaluated. The Company increases its ACL by charging the provision for credit losses on its consolidated income statements. Losses related to specific assets are applied to the assets thereby reducing the loan balance of the assets and charged against the ACL when management believes the non-collectability of a loan balance is confirmed. Recoveries on previously charged off loan balances are credited to the ACL.

Management assesses the ACL on a monthly basis and completes a more comprehensive evaluation quarterly. As noted above, the ACL is estimated using relevant information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL is maintained at a level sufficient to provide for expected credit losses over the life of the loan, including expected prepayments and expected fundings of committed loans. This level is based on evaluating historical credit loss experience and making adjustments to historical loss information utilizing qualitative factors for differences in the specific risk characteristics in the current loan portfolio and economic conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Loans (Subsequent to the Adoption of ASC 326 on January 1, 2023) (Continued)

The ACL is measured on a collective pool basis when similar risk characteristics exist. In estimating the component of the ACL for loans that share common risk characteristics, loans are pooled based on the Federal Financial Institutions Examination Council Call Report Codes (“Codes”) and areas of risk concentration. For loans evaluated collectively as a pool, the ACL is calculated using the vintage method. The vintage method utilizes a lifetime, historical average charge-off rate containing loan loss, recovery and loan balance information over a historical lookback period that is used as the basis for estimating the ACL for the current and estimated funded balances of loans in each Code segment at a particular consolidated balance sheet date. The vintage methodology was chosen due to the extensive loan loss, recovery and loan balance histories the Company maintained. Therefore the Company was able to establish reliable loan loss rates for each Code segment. In the events where there was no or insufficient historical loan loss data to establish a reliable loan loss rate, the Company utilized a minimum loss rate for those particular Code balances.

The calculation of the ACL is adjusted using qualitative factors for current conditions and for reasonable and supportable forecast periods. These qualitative factors are used to add for additional areas of risk inherent in the portfolio that may not be directly reflected in the Company’s historical information and may include the following adjustments:

- Changes in environmental conditions.
- Changes in economic conditions.
- Trends in delinquency levels.
- Trends in loan origination volumes.
- Trends in collateral values, unemployment rates, changes in staffing and other relevant factors that may impact loan performance in time.

Factors involved in determining whether a loan should be individually evaluated include, but are not limited to, the financial condition of the borrower and the value of the underlying collateral. Loans that are identified to be evaluated individually in the ACL do not share all of the risk characteristics with other pooled loans in the portfolio. These loans are individually evaluated based on the present value of expected future cash flows. If management determines the loan is collateral dependent the fair market value of the current collateral value, the Company assesses these loans on each reporting date to determine whether repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty.

A loan is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral’s fair value less cost to sell. Substantially all of the collateral consists of various types of business assets or real estate.

If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will recognize a specific ACL or partial charge off as the difference between the fair value of the collateral, less costs to sell, and the amortized cost basis of the loan. If the fair value of the collateral exceeds the amortized cost basis of the loan, no ACL will be recognized provided no amount previously charged off. Subsequent changes in the expected credit losses for loans evaluated individually are included within the provision for credit losses in the same manner in which the expected credit loss initially was recognized or as a reduction in the provision that would otherwise be reported.

Management recognizes the process of assessing the adequacy of the ACL is both subjective and imprecise. Further, and particularly when economic and inflation conditions are uncertain, it is possible that future credit losses may exceed management’s ACL. As such, there can be no assurance that future charge offs will not exceed management’s current estimate of what constitutes a reasonable and adequate ACL.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Prior to Adoption of ASC 326 on January 1, 2023)

Prior to the adoption of ASC 326 on January 1, 2023, the allowance for loan losses represented the amount that management estimated was adequate to provide for probable losses inherent in its loan portfolio. The allowance method was used in providing for loan losses. Accordingly, all loan losses were charged to the allowance, and all recoveries were credited to it. The allowance for loan losses was established through a provision for loan losses, which was charged to operations. The provision was based on management's periodic evaluation of the adequacy of the allowance for loan losses, which encompassed the overall risk characteristics of the various portfolio segments, past experience with losses, the impact of economic conditions on borrowers, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, were particularly susceptible to significant change in the near term.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement. Management has determined that residential real estate and all consumer loans represent large groups of smaller-balance homogeneous loans that are to be collectively evaluated. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. A loan is not impaired during a period of delay in payment if the Company expects to collect all amounts due, including interest accrued at the contractual interest rate for the period of delay. All loans identified as impaired are evaluated independently by management. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed. The Company estimates credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment is expected to come from the sale or operation of such collateral. Impaired loans, or portions thereof, are charged-off when it is determined a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal.

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis, with a focus on larger loans along with loans that have experienced past payment or financial deficiencies. Larger commercial loans and commercial real estate loans that are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine whether they are impaired, which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. All commercial loans that are delinquent 90 days and residential mortgage loans that are 120 days delinquent and are placed on nonaccrual status are classified on an individual basis. The remaining loans are evaluated and classified as groups of loans with similar risk characteristics. The Company allocates allowances based on the factors described below, which conform to the Company's asset classification policy. In reviewing risk within the Bank's loan portfolio, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the commercial loan portfolio, (ii) the commercial real estate portfolio, (iii) the consumer loan portfolio, and (iv) the loans secured by residential real estate portfolio. Factors considered in this process included general loan terms, collateral, and availability of historical data to support the analysis. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. Certain qualitative factors are then added to the historical allocation percentage to get the total factor to be applied to nonclassified loans. The following qualitative factors are analyzed:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Prior to Adoption of ASC 326 on January 1, 2023) (Continued)

- Levels of and trends in delinquencies
- Trends in volume and terms
- Changes in lending policy and procedures
- Changes in management and lending staff
- Economic trends
- Concentrations of credit
- Changes in underlying collateral value

The Company analyzed its loan portfolio each quarter to determine the appropriateness of its allowance for loan losses.

Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 2 to 10 years for furniture, fixtures, and equipment and 10 to 39 years for building and improvements. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 5 to 15 years. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the cost of net assets purchased in connection with the acquisition of CFA and the acquisition of the Cambridge branches. Goodwill is not amortized but is evaluated for impairment.

The Company accounts for goodwill using a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. The Company performs an annual impairment analysis of goodwill by assessing various qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The Company performed this assessment and concluded that the recorded value of goodwill was not impaired. No impairment of goodwill was recognized in any of the periods presented.

The Company has a separately identifiable intangible asset relating to the acquisition of CFA, in which a customer list was included in the purchase. This intangible asset is being amortized on a straight-line basis over a period of 20 years and is subject to annual impairment testing. The balance of the intangible asset at December 31, 2023 and 2022, was \$172,112 and \$214,262, net of accumulated amortization of \$670,887 and \$628,737, respectively. Amortization expense of \$42,150 was recorded for the years ended December 31, 2023 and 2022. Amortization expense is estimated to be \$42,150 each year for the years 2024 through 2027 and \$3,512 in 2028.

The Company also has a separately identifiable intangible asset relating to the purchase of deposit accounts at the Cambridge branches. This intangible asset is being amortized on a straight-line basis over a period of ten years and is subject to annual impairment testing. The balance of the intangible asset at December 31, 2023 and 2022, was \$131,829 and \$215,089, net of accumulated amortization of \$700,845 and \$617,585, respectively. Amortization expense of \$83,260 was recorded for the years ended December 31, 2023 and 2022. Amortization expense is estimated to be \$83,260 in 2024 and \$48,569 in 2025.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits

The Company has a defined contribution, 401(k) plan covering eligible employees. The employee may also contribute to the plan on a voluntary basis, up to a maximum percentage allowable not to exceed the limits of Code Sections 401(k). Under the plan, the Company also makes contributions on behalf of eligible employees, which fully vest after six years. Contribution expense is recorded in salaries and employee benefits.

The Company maintains nonqualified salary continuation plans for an executive officer and former officer. All obligations arising under the plan are payable from the general assets of the Company. Expenses under the salary continuation plans are recognized as earned over the expected years of service and are recorded in salaries and employee benefits.

The Company maintains a nonqualified executive deferred compensation plan for an executive officer. Under the plan, the officer may elect to defer compensation and the Company may make contributions, subject to certain vesting requirements. All obligations arising under the plan are payable from the general assets of the Company. Expenses under the plan are recognized as earned over the expected years of service and are recorded in salaries and employee benefits.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Earnings Per Share

The Company currently maintains a simple capital structure; therefore, there are no dilutive effects on earnings per share. As such, earnings per share computations are based upon the weighted number of shares outstanding for each of the reported periods. Treasury shares are not deemed outstanding for earnings per share calculations.

Treasury Stock

Purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent re-issuances of the stock are credited or charged to common stock using the average cost method.

Cash Flow Information

The Company has defined “cash equivalents” as those amounts included in the Consolidated Balance Sheet captions “Cash and due from banks” and “Federal funds sold” that have original maturities of 90 days or less.

Comprehensive (Loss) Income

The Company is required to present comprehensive (loss) income and its components in a full set of general-purpose financial statements for all periods presented. Accumulated other comprehensive (loss) income comprises unrealized holding gains and losses on the available for sale securities portfolio and accretion of discounts related to investment securities transferred from available for sale to held to maturity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bank-owned Life Insurance

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans, including healthcare. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheet, and any increases in the cash surrender value are recorded as noninterest income on the Consolidated Statement of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit, which would be recorded as noninterest income.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance (any direct write-downs) are included in net expenses from foreclosed assets.

Mortgage Servicing Rights (MSRs)

The Company has agreements for the express purposes of selling loans in the secondary market. The Company maintains all servicing rights for these loans. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on the relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimate life of the servicing portfolio. Impairment is evaluated based on the fair value of the right, based on portfolio interest rates and prepayment characteristics.

MSRs are a component of other assets on the Consolidated Balance Sheet. MSRs amounted to \$293,467 and \$442,610 at December 31, 2023 and 2022, respectively.

Other Repossessed Assets

Assets acquired through repossession are initially recorded at fair value less cost to sell at the date of repossession, establishing a new cost basis. Subsequent to repossession, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents: (1) a proportionate (pro rata) ownership interest in an entire financial asset; (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership; (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties; and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

Advertising costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded on the Consolidated Balance Sheet when they are funded.

Allowance for Credit Loss on Off-Balance Sheet Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk through a contractual obligation to extend credit unless the obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year presentation. Such reclassifications had no effect on net income or stockholders' equity.

2. REVENUE RECOGNITION

The Company accounts for its applicable in accordance with ASC Topic 606 – *Revenue from Contracts with Customers*. The core principle of Topic 606, *Revenue from Contracts with Customers*, is that an entity recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

Topic 606 does not apply to revenue associated with financial instruments, including interest from loans, investments, and other interest-bearing deposits. In addition, certain noninterest income streams, such as fees associated with mortgage servicing rights, gains and losses from loan and investment sales, earnings on bank-owned life insurance, financial guarantees, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions.

The main types of noninterest income within the scope of the standard are as follows:

Customer Service Fees

Topic 606 is applicable to noninterest revenue streams, such as service charges on deposit accounts, which consist primarily of monthly service fees and fees associated with overdrafts. The Company's performance obligation for monthly service fees is satisfied and recognized in the month the service is provided. Other deposit account-related fees are largely transactional based; and therefore, revenue is recognized at a point in time upon completion of transaction.

Other Service Charges and Fees

Other income within the scope of Topic 606 is primarily comprised of debit and credit card income, ATM fees, merchant income, wire transfer fees, and safe deposit box rents. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks, such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. The Company's performance obligation for other service charges and fees are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

2. REVENUE RECOGNITION (Continued)

Wealth Management Fees

Wealth management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets along with commissions from the sale of mutual funds and annuities. The Company's performance obligation for management and administration is generally satisfied over time, and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month-end through a direct charge to the customers' accounts. The Company's performance obligation for mutual fund and annuity sales is generally satisfied upon completion of the transaction. A small portion of the fees from qualified retirement plans are collected and recognized on a quarterly basis.

Gains (Losses) on Sale of Other Real Estate Owned ("OREO") and Repossessed Assets

Gains and losses are recognized at the completion of the property sale when the buyer obtains control of the real estate and all of the performance obligations of the Company have been satisfied. Evidence of the buyer obtaining control of the asset include transfer of the property title, physical possession of the asset, and the buyer obtaining control of the risks and rewards related to the asset. In situations where the Company agrees to provide financing to facilitate the sale, additional analysis is performed to ensure that the contract for sale identifies the buyer and seller, the asset to be transferred, and the payment terms; that the contract has a true commercial substance; and that amounts due from the buyer are reasonable. In situations where financing terms are not reflective of current market terms, the transaction price is discounted impacting the gain/loss and the carrying value of the asset.

The following table depicts the disaggregation of revenue derived from contracts with customers to depict the nature, amount, timing, and uncertainty of revenue and cash flows for the years ended December 31:

<u>Noninterest Income</u>	<u>2023</u>	<u>2022</u>
Customer service fees:		
Non-sufficient funds fees	\$ 603,870	\$ 773,258
Services charges and other fees	176,289	167,050
Other services charges and fees		
Visa credit cards	1,933,369	1,911,215
ATM fees	171,615	192,970
Other fees	363,008	435,519
Wealth management fees		
Brokerage fees	1,218,088	1,223,989
Trust fees	666,421	695,838
Net gains on loan sales (a)	73,103	199,114
Earnings on bank-owned life insurance (a)	366,118	351,530
Gain (loss) on sale of other real estate owned	-	(2,977)
Other income	<u>179,185</u>	<u>30,217</u>
Total noninterest income	<u>\$ 5,751,066</u>	<u>\$ 5,977,723</u>

(a) Not within scope of ASC 606

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair values of investment securities available for sale and held to maturity are summarized as follows:

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available for sale					
U.S. government agency securities	\$ 72,272,773	\$ -	\$ (3,475,689)	\$ -	\$ 68,797,084
U.S. treasury securities	15,363,201	-	(156,025)	-	15,207,176
Mortgage-backed securities	35,854,179	-	(5,324,325)	-	30,529,854
Obligations of states and political subdivisions	3,014,843	-	(315,354)	-	2,699,489
Total	\$ <u>126,504,996</u>	\$ <u>-</u>	\$ <u>(9,271,393)</u>	\$ <u>-</u>	\$ <u>117,233,603</u>

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. government agency securities	\$ 77,025,272	\$ -	\$ (5,673,774)	\$ 71,351,498
U.S. treasury securities	33,086,922	-	(618,163)	32,468,759
Mortgage-backed securities	39,609,676	-	(6,203,709)	33,405,967
Obligations of states and political subdivisions	3,382,683	128	(380,743)	3,002,068
Total	\$ <u>153,104,553</u>	\$ <u>128</u>	\$ <u>(12,876,389)</u>	\$ <u>140,228,292</u>

	2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held to maturity					
Obligations of states and political subdivisions	\$ <u>9,402,272</u>	\$ <u>36,284</u>	\$ <u>(968,912)</u>	\$ <u>8,469,644</u>	\$ <u>-</u>

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity				
Obligations of states and political subdivisions	\$ <u>10,734,567</u>	\$ <u>34,075</u>	\$ <u>(1,177,086)</u>	\$ <u>9,591,556</u>

3. INVESTMENT SECURITIES (Continued)

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022.

	2023					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale						
U.S. government agency securities	\$ -	\$ -	\$ 68,797,084	\$ (3,475,689)	\$ 68,797,084	\$ (3,475,689)
U.S. treasury securities	-	-	15,207,176	(156,025)	15,207,176	(156,025)
Mortgage-backed securities	-	-	30,529,854	(5,324,325)	30,529,854	(5,324,325)
Obligations of states and political subdivisions	250,010	(4,990)	2,449,480	(310,363)	2,699,489	(315,354)
	<u>\$ 250,010</u>	<u>\$ (4,990)</u>	<u>\$ 116,983,594</u>	<u>\$ (9,266,402)</u>	<u>\$ 117,233,603</u>	<u>\$ (9,271,393)</u>

	2023					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held to maturity						
Obligations of states and political subdivisions	\$ 300,303	\$ (45)	\$ 4,791,584	\$ (968,866)	\$ 5,091,887	\$ (968,912)

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale						
U.S. government agency securities	\$ 31,110,020	\$ (1,230,849)	\$ 40,241,478	\$ (4,442,925)	\$ 71,351,498	\$ (5,673,774)
U.S. treasury securities	32,374,040	(611,141)	94,719	(7,022)	32,468,759	(618,163)
Mortgage-backed securities	6,567,889	(721,571)	26,838,078	(5,482,138)	33,405,967	(6,203,709)
Obligations of states and political subdivisions	1,981,100	(34,176)	765,841	(346,567)	2,746,941	(380,743)
	<u>\$ 72,033,049</u>	<u>\$ (2,597,737)</u>	<u>\$ 67,940,116</u>	<u>\$ (10,278,652)</u>	<u>\$ 139,973,165</u>	<u>\$ (12,876,389)</u>

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Held to maturity						
Obligations of states and political subdivisions	\$ 2,378,299	\$ (20,031)	\$ 3,172,981	\$ (1,157,055)	\$ 5,551,280	\$ (1,177,086)

3. INVESTMENT SECURITIES (Continued)

For available-for-sale securities as of December 31, 2023, 30 mortgage-backed securities, 9 obligations of states and political subdivisions i.e. municipal bonds, and 38 U.S. agencies and treasuries had unrealized loss due to interest rate volatility. All agency mortgage-backed securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government. They are highly rated by major rating agencies and have a long history of no credit losses. Management concluded that the unrealized loss reflected above was temporary in nature since the unrealized loss was related primarily to market interest rates volatility, and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company has the ability and intent to hold the securities for the time necessary to recover the amortized cost.

The held to maturity securities portfolio consists solely of obligations of state and political subdivision bonds. The 27 obligations of state and political subdivision bonds in the portfolio carry no lower than A ratings from the rating agencies at December 31, 2023 and have a long history of no credit losses. The Company regularly monitors the municipal bonds sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as credit ratings in effect as of the reporting period.

The amortized cost and fair value of investment securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 33,120,704	\$ 32,514,396	\$ 120,582	\$ 120,582
Due after one year through five years	54,515,270	51,489,864	662,946	662,946
Due after five years through ten years	1,189,152	1,117,096	3,876,772	3,499,589
Due after ten years	<u>37,679,870</u>	<u>32,112,247</u>	<u>4,741,972</u>	<u>4,186,527</u>
Total	\$ <u>126,504,996</u>	\$ <u>117,233,603</u>	\$ <u>9,402,272</u>	\$ <u>8,469,644</u>

There were no sales of investment securities for the years ended December 31, 2023 and 2022.

Investment securities with a carrying value of \$118,565,110 and \$140,927,092 at December 31, 2023 and 2022, respectively, were pledged to secure public deposits, collateral for borrowings, and other purposes as required by law.

4. LOANS

Major classifications of loans are summarized as follows:

	<u>2023</u>	<u>2022</u>
Real estate:		
Residential	\$ 233,952,776	\$ 199,229,737
Construction	13,924,878	16,617,890
Commercial	113,406,833	108,147,677
Commercial and industrial	33,700,099	31,491,540
Consumer installment	46,861,699	38,478,955
Other	35,681	82,398
	<u>441,881,966</u>	<u>394,048,197</u>
Less allowance for loan losses	<u>4,583,812</u>	<u>4,891,522</u>
Net loans	<u>\$ 437,298,154</u>	<u>\$ 389,156,675</u>

The Company's primary business activity is with customers located within its local trade area. Commercial, residential, and personal loans are granted. The Company also selectively funds commercial and residential loans originated outside its immediate trade area provided such loans meet the Company's credit policy guidelines. In general, at December 31, 2023 and 2022, loans outstanding to individuals and businesses are dependent upon the local economic conditions in the immediate trade areas of Muskingum and surrounding counties of Central Ohio.

Mortgage loans serviced by the Company for others amounted to \$100,107,541 with 662 loans sold and \$106,630,601 with 681 loans sold at December 31, 2023 and December 31, 2022, respectively.

At December 31, 2023, the Company had a concentration to lessors of residential buildings and dwellings in the amount of \$39.7 million, or 9.0 percent, of the loan portfolio. At December 31, 2022, the Company had a concentration to lessors of residential buildings and dwellings in the amount of \$42.1 million, or 10.8 percent, of the loan portfolio.

5. ALLOWANCE FOR CREDIT LOSSES

Management has an established methodology to determine the adequacy of the allowance for credit losses ("ACL") that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the ACL, the Company has segmented certain loans in the portfolio by call report codes. Loans are segmented into the following similar risk characteristic pools: residential real estate, construction real estate, commercial real estate, commercial and industrial, consumer installment, and other. Lifetime, historical loss percentages for each risk category are calculated and used as the basis for calculating ACL allocations. These historical loss percentages are calculated using loss, recovery and loan information from January 1, 2001 through December 31, 2023 for all portfolio segments. Certain qualitative factors are then added to the ACL allocation percentage to get the adjusted factor to be applied to the loan segments.

During 2023, the ACL balance for each category increased with the exception of the residential real estate segment. This decrease in the residential real estate reserve was the result of combination of decreased delinquency and decreases in the severity of qualitative factors. During 2022, the reserve for construction real estate loans increased due to increase in the loan segment. Commercial and Industrial reserve declined due to a decrease in the loan balance and decrease in historical charge-offs. The increase in reserve for consumer installment loans is due to an increase in the qualitative factor related to the underlying collateral value of the loan segment. These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Changes in the allowance for credit losses for the years ended December 31, 2023, by loan portfolio segment are as follows:

	2023						
	<u>Residential Real Estate</u>	<u>Construction Real Estate</u>	<u>Commercial Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer Installment</u>	<u>Other</u>	<u>Total</u>
Beginning Balance	\$ 1,944,622	\$ 125,590	\$ 1,473,832	\$ 496,092	\$ 812,969	\$ 38,417	\$ 4,891,522
Impact of adopting ASC 326	-	-	-	-	-	-	-
Charge-offs	(86)	-	-	-	(133,124)	(88,030)	(221,240)
Recoveries	3,610	200	2,264	569	56,910	35,577	99,130
Provision	<u>(688,365)</u>	<u>39,161</u>	<u>131,669</u>	<u>34,632</u>	<u>247,449</u>	<u>49,854</u>	<u>(185,600)</u>
Ending Balance	<u>\$ 1,259,781</u>	<u>\$ 164,951</u>	<u>\$ 1,607,765</u>	<u>\$ 531,293</u>	<u>\$ 984,204</u>	<u>\$ 35,818</u>	<u>\$ 4,583,812</u>

Changes in the allowance for loan losses for the years ended December 31, 2022, by loan portfolio segment are as follows (prior to the adoption of ASC 326):

	2022						
	<u>Residential Real Estate</u>	<u>Construction Real Estate</u>	<u>Commercial Real Estate</u>	<u>Commercial and Industrial</u>	<u>Consumer Installment</u>	<u>Other</u>	<u>Total</u>
Beginning balance	\$ 1,809,783	\$ 230,438	\$ 1,789,447	\$ 634,081	\$ 682,280	\$ 45,186	\$ 5,191,215
Charge-offs	(72,852)	-	(4,704)	(89,175)	(137,435)	(80,218)	(384,384)
Recoveries	9,477	-	3,617	13,885	87,952	49,760	164,691
Provision	<u>198,214</u>	<u>(104,848)</u>	<u>(314,528)</u>	<u>(62,699)</u>	<u>180,172</u>	<u>23,689</u>	<u>(80,000)</u>
Ending balance	<u>\$ 1,944,622</u>	<u>\$ 125,590</u>	<u>\$ 1,473,832</u>	<u>\$ 496,092</u>	<u>\$ 812,969</u>	<u>\$ 38,417</u>	<u>\$ 4,891,522</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

The total ACL reflects management's estimate of loan losses inherent in the loan portfolio at the Consolidated Balance Sheet date. The Company considers the ACL adequate to cover loan credit losses inherent in the loan portfolio at December 31, 2023 and 2022, respectively. The following tables present the balance in the ACL and the recorded investment in loans by portfolio segment and for individually and collectively evaluated loans as of December 31, 2023 and 2022:

	2023						
	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer Installment	Other	Total
Allowance for Credit Losses:							
Individually evaluated for impairment	\$ 23,740	\$ 9,293	\$ 192,830	\$ 110,780	\$ 17,900	\$ -	\$ 354,543
Collectively evaluated for impairment	<u>1,236,041</u>	<u>155,658</u>	<u>1,414,935</u>	<u>420,513</u>	<u>966,304</u>	<u>35,818</u>	<u>4,229,269</u>
Total	<u>\$ 1,259,781</u>	<u>\$ 164,951</u>	<u>\$ 1,607,765</u>	<u>\$ 531,293</u>	<u>\$ 984,204</u>	<u>\$ 35,818</u>	<u>\$ 4,583,812</u>
Loans:							
Individually evaluated for impairment	\$ 483,393	\$ 9,293	\$ 2,330,001	\$ 352,594	\$ 54,761	\$ -	\$ 3,230,042
Collectively evaluated for impairment	<u>233,469,383</u>	<u>13,915,585</u>	<u>111,076,832</u>	<u>33,347,505</u>	<u>46,806,938</u>	<u>35,681</u>	<u>438,651,924</u>
Total	<u>\$ 233,952,776</u>	<u>\$ 13,924,878</u>	<u>\$ 113,406,833</u>	<u>\$ 33,700,099</u>	<u>\$ 46,861,699</u>	<u>\$ 35,681</u>	<u>\$ 441,881,966</u>
	2022						
	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Commercial and Industrial	Consumer Installment	Other	Total
Allowance for loan losses:							
Individually evaluated for impairment	\$ 21,580	\$ 18,110	\$ 114,940	\$ 152,040	\$ -	\$ -	\$ 306,670
Collectively evaluated for impairment	<u>1,923,042</u>	<u>107,480</u>	<u>1,358,892</u>	<u>344,052</u>	<u>812,969</u>	<u>38,417</u>	<u>4,584,852</u>
Total	<u>\$ 1,944,622</u>	<u>\$ 125,590</u>	<u>\$ 1,473,832</u>	<u>\$ 496,092</u>	<u>\$ 812,969</u>	<u>\$ 38,417</u>	<u>\$ 4,891,522</u>
Loans:							
Individually evaluated for impairment	\$ 292,060	\$ 61,760	\$ 1,840,211	\$ 338,339	\$ -	\$ -	\$ 2,532,370
Collectively evaluated for impairment	<u>198,937,677</u>	<u>16,556,130</u>	<u>106,307,466</u>	<u>31,153,201</u>	<u>38,478,955</u>	<u>82,398</u>	<u>391,515,827</u>
Total	<u>\$ 199,229,737</u>	<u>\$ 16,617,890</u>	<u>\$ 108,147,677</u>	<u>\$ 31,491,540</u>	<u>\$ 38,478,955</u>	<u>\$ 82,398</u>	<u>\$ 394,048,197</u>

Credit Quality Information

The Company's internally assigned grades are as follows:

Pass loans are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are three sub-grades within the Pass category to further distinguish the loan.

Special Mention loans are loans for which a potential weakness or risk exists that could cause a more serious problem if not corrected.

Substandard loans have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

Doubtful loans have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss loans are considered uncollectible, or of such value that continuance as an asset is not warranted.

The following table represent credit exposures by internally assigned grades for the year ended December 31, 2023 in accordance with ASC 326. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

		Term Loans Amortized Costs Basis by Origination Year						
December 31, 2023		2023	2022	2021	2020	2019	Prior	Total
Commercial real estate								
Risk Rating								
Pass	\$	11,711,431	\$ 30,713,124	\$ 18,488,043	\$ 11,413,094	\$ 5,501,542	\$ 30,954,950	\$ 108,782,184
Special Mention		324,143	205,878	-	531,574	533,111	312,433	1,907,139
Substandard		-	-	-	-	-	2,717,510	2,717,510
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>12,035,574</u>	<u>\$ 30,919,002</u>	<u>\$ 18,488,043</u>	<u>\$ 11,944,668</u>	<u>\$ 6,034,653</u>	<u>\$ 33,984,893</u>	<u>\$ 113,406,833</u>
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction real estate								
Risk Rating								
Pass	\$	8,041,942	\$ 1,130,366	\$ 2,687,659	\$ -	\$ 1,108,200	\$ 947,418	\$ 13,915,585
Special Mention		-	-	-	-	-	-	-
Substandard		-	-	-	-	-	9,293	9,293
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>8,041,942</u>	<u>\$ 1,130,366</u>	<u>\$ 2,687,659</u>	<u>\$ -</u>	<u>\$ 1,108,200</u>	<u>\$ 956,711</u>	<u>\$ 13,924,878</u>
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial								
Risk Rating								
Pass	\$	12,161,088	\$ 9,048,791	\$ 4,342,989	\$ 3,834,866	\$ 822,749	\$ 2,288,443	\$ 32,498,926
Special Mention		742,244	15,799	11,113	-	2,084	10,903	782,143
Substandard		-	9,205	-	-	133	409,692	419,030
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>12,903,332</u>	<u>\$ 9,073,795</u>	<u>\$ 4,354,102</u>	<u>\$ 3,834,866</u>	<u>\$ 824,966</u>	<u>\$ 2,709,038</u>	<u>\$ 33,700,099</u>
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total								
Risk Rating								
Pass	\$	31,914,461	\$ 40,892,281	\$ 25,518,691	\$ 15,247,960	\$ 7,432,491	\$ 34,190,811	\$ 155,196,695
Special Mention		1,066,387	221,677	11,113	531,574	535,195	323,336	2,689,282
Substandard		-	9,205	-	-	133	3,136,495	3,145,833
Doubtful		-	-	-	-	-	-	-
Total	\$	<u>32,980,848</u>	<u>\$ 41,123,163</u>	<u>\$ 25,529,804</u>	<u>\$ 15,779,534</u>	<u>\$ 7,967,819</u>	<u>\$ 37,650,642</u>	<u>\$ 161,031,810</u>
Total gross charge-offs		<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

The following table represents credit exposures by internally assigned grades for the year ended December 31, 2022 (prior to the adoption of ASC 326). The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

	<u>2022</u>	
	<u>Commercial Real Estate</u>	<u>Commercial and Industrial</u>
Pass	\$ 102,337,951	\$ 29,704,211
Special Mention	2,537,158	1,179,001
Substandard	3,272,568	608,328
Doubtful	-	-
Ending balance	<u>\$ 108,147,677</u>	<u>\$ 31,491,540</u>

The following table presents performing and nonperforming loans based on payment activity for the year ended December 31, 2023 in accordance with ASC 326. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when they become 90 days past due or are placed on nonaccrual.

	<u>Term Loans Amortized Costs Basis by Origination Year</u>						<u>Revolving Loans Amortized Cost Basis</u>	<u>Total</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Prior</u>		
December 31, 2023								
Residential real estate								
Payment Performance								
Performing	\$ 50,564,521	\$ 60,266,039	\$ 32,495,643	\$ 19,274,595	\$ 9,274,080	\$ 37,518,640	\$ 23,848,464	\$ 233,241,982
Nonperforming	-	240,662	-	-	-	309,930	160,202	710,794
Total	<u>\$ 50,564,521</u>	<u>\$ 60,506,701</u>	<u>\$ 32,495,643</u>	<u>\$ 19,274,595</u>	<u>\$ 9,274,080</u>	<u>\$ 37,828,570</u>	<u>\$ 24,008,666</u>	<u>\$ 233,952,776</u>
Current period gross charge-offs	\$ -	\$ -	\$ 86	\$ -	\$ -	\$ -	\$ -	\$ 86
Consumer installment and other								
Payment Performance								
Performing	\$ 23,651,271	\$ 17,554,255	\$ 3,685,710	\$ 1,208,327	\$ 482,618	\$ 273,512	\$ -	\$ 46,855,693
Nonperforming	-	40,349	-	1,338	-	-	-	41,687
Total	<u>\$ 23,651,271</u>	<u>\$ 17,594,604</u>	<u>\$ 3,685,710</u>	<u>\$ 1,209,665</u>	<u>\$ 482,618</u>	<u>\$ 273,512</u>	<u>\$ -</u>	<u>\$ 46,897,380</u>
Current period gross charge-offs	\$ 27,629	\$ 70,519	\$ 93,665	\$ 673	\$ 7,713	\$ 20,955	\$ -	\$ 221,154
Total								
Payment Performance								
Performing	\$ 74,215,792	\$ 77,820,294	\$ 36,181,353	\$ 20,482,922	\$ 9,756,698	\$ 37,792,152	\$ 23,848,464	\$ 280,097,675
Nonperforming	-	281,011	-	1,338	-	309,930	160,202	752,481
Total	<u>\$ 74,215,792</u>	<u>\$ 78,101,305</u>	<u>\$ 36,181,353</u>	<u>\$ 20,484,260</u>	<u>\$ 9,756,698</u>	<u>\$ 38,102,082</u>	<u>\$ 24,008,666</u>	<u>\$ 280,850,156</u>
Total gross charge-offs	<u>\$ 27,629</u>	<u>\$ 70,519</u>	<u>\$ 93,751</u>	<u>\$ 673</u>	<u>\$ 7,713</u>	<u>\$ 20,955</u>	<u>\$ -</u>	<u>\$ 221,240</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

The following table presents performing and nonperforming loans based on payment activity for the year ended December 31, 2022 prior to adoption of ASC 326. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when they become 90 days past due or are placed on nonaccrual.

	2022			
	Residential	Construction	Consumer	Other
	Real Estate	Real Estate	Installment	
Performing	\$ 198,732,257	\$ 16,556,130	\$ 38,447,212	\$ 82,398
Nonperforming	497,480	61,760	31,743	-
Total	<u>\$ 199,229,737</u>	<u>\$ 16,617,890</u>	<u>\$ 38,478,955</u>	<u>\$ 82,398</u>

The following tables include an aging analysis of the recorded investment of past-due loans as of December 31, 2023 and 2022.

	2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total
	Real estate:					
Residential	\$ 427,072	\$ 182,626	\$ 290,015	\$ 899,713	\$ 233,053,063	\$ 233,952,776
Construction	-	-	9,293	9,293	13,915,585	13,924,878
Commercial	604,445	165,336	-	769,781	113,976,279	113,406,833
Commercial and industrial	45,509	70,953	109,862	226,324	33,473,775	33,700,099
Consumer and Other	267,773	40,483	27,366	335,622	46,561,758	46,897,380
Total	<u>\$ 1,344,799</u>	<u>\$ 459,398</u>	<u>\$ 436,536</u>	<u>\$ 2,240,733</u>	<u>\$ 440,980,460</u>	<u>\$ 441,881,966</u>

	2022					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total
	Real estate:					
Residential	\$ 140,291	\$ 83,781	\$ 246,266	\$ 470,338	\$ 198,759,399	\$ 199,229,737
Construction	-	-	61,760	61,760	16,556,130	16,617,890
Commercial	91,090	-	566,312	657,402	107,490,275	108,147,677
Commercial and industrial	104,567	24,514	316,291	445,372	31,046,168	31,491,540
Consumer installment	89,655	64,553	31,743	185,951	38,293,004	38,478,955
Other	-	-	-	-	82,398	82,398
Total	<u>\$ 425,603</u>	<u>\$ 172,848</u>	<u>\$ 1,222,372</u>	<u>\$ 1,820,823</u>	<u>\$ 392,227,374</u>	<u>\$ 394,048,197</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Impaired Loans (prior to adoption of ASC 326)

Management evaluates commercial loans and commercial real estate loans that are 90 days or more past due or on nonaccrual and considers them for possible impairment. Loans rated as Special Mention, Substandard, or Doubtful are also evaluated for possible impairment. These loans are analyzed to determine whether it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees, or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable, as of and for the year ended December 31:

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Residential real estate	\$ 22,146	\$ 22,146	\$ 21,580	\$ 144,065	\$ 420
Construction real estate	61,760	61,760	18,110	303,460	-
Commercial real estate	1,670,044	1,670,044	114,940	1,723,728	75,420
Commercial and industrial	331,892	331,892	152,040	312,803	4,307
With no related allowance recorded:					
Residential real estate	269,914	269,914	-	442,547	839
Commercial real estate	170,167	170,167	-	360,350	6,097
Commercial and industrial	6,447	6,447	-	13,043	361
	<u>\$ 2,532,370</u>	<u>\$ 2,532,370</u>	<u>\$ 306,670</u>	<u>\$ 3,299,996</u>	<u>\$ 87,444</u>
Totals by type:					
Residential real estate	\$ 292,060	\$ 292,060	\$ 21,580	\$ 586,612	\$ 1,259
Construction real estate	61,760	61,760	18,110	303,460	-
Commercial real estate	1,840,211	1,840,211	114,940	2,084,078	81,517
Commercial and industrial	338,339	338,339	152,040	325,846	4,668
	<u>\$ 2,532,370</u>	<u>\$ 2,532,370</u>	<u>\$ 306,670</u>	<u>\$ 3,299,996</u>	<u>\$ 87,444</u>

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Non-performing Loans

Non-performing loans include those loans that are considered nonaccrual, described in more detail below and all loans past due 90 or more days. Loans are considered for non-accrual status upon reaching 90 days delinquency, although the Company may be receiving partial payments of interest and partial repayments of principal on such loans, or if full payment of principal and interest is not expected. Additionally, if management is made aware of other information including bankruptcy, repossession, death, or legal proceedings, the loan may be placed on non-accrual status. If a loan is 90 days or more past due and is well secured and in the process of collection, it may be still considered accruing.

The following tables reflect the non-performing loan receivables, as well as those on non-accrual status with and with no specific ACL reserve as of December 31, 2023 and 2022 respectively:

	2023				
	Nonaccrual with no specific ACL	Nonaccrual with specific ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Non-performing
Real estate:					
Residential	\$ 408,223	\$ 258,776	\$ 667,000	\$ 43,795	\$ 710,795
Construction	-	9,293	9,293	-	9,293
Commercial	387,508	329,511	717,019	-	717,019
Commercial and industrial	7,761	139,721	147,482	-	147,482
Consumer installment	40,349	-	40,349	1,338	41,687
Other	-	-	-	-	-
Total	\$ <u>843,841</u>	\$ <u>737,301</u>	\$ <u>1,581,143</u>	\$ <u>45,133</u>	\$ <u>1,626,276</u>

	2022	
	Nonaccrual	Past Due 90 Days or More and Still Accruing
Real estate:		
Residential	\$ 497,480	\$ -
Construction	61,760	-
Commercial	1,033,820	-
Commercial and industrial	305,432	10,859
Consumer installment	29,200	2,543
Total	\$ <u>1,927,692</u>	\$ <u>13,402</u>

Interest income on nonaccrual loans not recognized during 2023 and 2022 was \$87,598 and \$139,988, respectively.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Collateral Dependent Loans

The following table represents, by loan type, the amortized cost basis of collateral-dependent nonaccrual loans and type of collateral as of December 31, 2023.

	2023			
	Real Estate	Business Assets	None	Total
Real estate:				
Residential	\$ 291,759	\$ -	\$ -	\$ 291,759
Construction	-	-	-	-
Commercial	329,511	-	-	329,511
Commercial and industrial	-	106,826	9,205	116,031
Consumer and Other	-	-	-	-
	<u>\$ 621,270</u>	<u>\$ 106,826</u>	<u>\$ 9,205</u>	<u>\$ 737,301</u>

Borrowers Having Financial Difficulty

Consistent with accounting and regulatory guidance, the Company recognizes when a borrower is having financial difficulty and determines if certain modifications are necessary. The Company may, for economic or legal reasons related to a borrower's financial difficulties, grant a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a modification is to increase the probability of repayment of the borrower's loan.

There were no modifications to borrower's experiencing financial difficulties during the year ended December 31, 2023. The following table includes loans modified as having financial difficulty during the year ended December 31, 2022.

	2022	
	Pre-Modification	Post-Modification
Number of Contracts	Outstanding Recorded Investment	Outstanding Recorded Investment
Real estate:		
Commercial	<u>1</u> \$ <u>678,024</u>	\$ <u>678,024</u>
Total	<u>1</u> \$ <u>678,024</u>	\$ <u>678,024</u>

The modifications made by the Company consisted on reduced principal and interest payments and the addition of a final balloon payment date. The Company did not have any troubled debt restructurings modified within the preceding 12 months that subsequently defaulted in the current reporting periods.

6. OTHER REAL ESTATE OWNED

As of December 31, 2023 and 2022, the Bank had no foreclosed real estate included in other assets. As of December 31, 2023, the Company has initiated formal foreclosure proceedings on residential mortgages totaling \$868,556.

7. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,794,487	\$ 4,519,487
Building and improvements	14,361,015	13,989,555
Leasehold improvements	75,927	75,927
Furniture, fixtures, and equipment	<u>7,993,072</u>	<u>7,097,766</u>
	27,224,501	25,682,735
Less accumulated depreciation	<u>14,529,865</u>	<u>13,769,734</u>
Total	<u>\$ 12,694,636</u>	<u>\$ 11,913,001</u>

Depreciation and amortization charged to operations were \$760,131 and \$841,118 in 2023 and 2022, respectively.

8. DEPOSITS

Time deposits totaling \$132,749,065, \$8,664,523, \$3,890,164, \$4,837,909, \$2,656,756, and \$28,723 at December 31, 2023, mature during 2024, 2025, 2026, 2027, 2028, and thereafter, respectively.

Maturities on time deposits of \$250,000 or more at December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Three months or less	\$ 5,142,467	\$ 1,708,356
Three to six months	12,963,993	-
Six to twelve months	4,261,340	2,685,664
Over one year	<u>1,874,308</u>	<u>7,303,398</u>
Total	<u>\$ 24,242,108</u>	<u>\$ 11,697,418</u>

9. SHORT-TERM BORROWINGS

Short-term borrowings can consist of FHLB borrowings with terms of six months or less. The outstanding balances and related information for short-term borrowings for 2023 and 2022 are summarized as follows:

	2023	
	Amount	Weighted-Average Rate
Balance at year-end	\$ 27,000,000	5.47%
Average balance outstanding during the year	\$ 14,563,155	5.46%
Maximum amount outstanding at any month-end	\$ 27,000,000	

	2022	
	Amount	Weighted-Average Rate
Balance at year-end	\$ 20,000,000	4.40%
Average balance outstanding during the year	\$ 744,685	4.14%
Maximum amount outstanding at any month-end	\$ 20,000,000	

The average balance outstanding during the year represents daily averages. Average interest rates represent interest expense divided by the related average balance.

The Bank had a maximum borrowing capacity with the Federal Home Loan Bank of Cincinnati (FHLB) of \$94,051,954 at December 31, 2023. FHLB borrowings are collateralized by FHLB stock and qualifying pledged loans. The Bank had no long-term debt outstanding as of December 31, 2023 or December 31, 2022.

The Company also has a short-term outstanding line of credit with United Bankers' Bank for \$5,000,000. The line of credit for \$5,000,000 has a floating interest rate equivalent to the Fed Funds Buy Rate which was 5.33% as of December 31, 2023. The Company had no outstanding balances on the line of credit as of December 31, 2023 or December 31, 2022.

10. EMPLOYEE BENEFITS

The Company maintains a defined contribution 401(k) salary reduction plan for substantially all employees meeting certain eligibility requirements. Employees may contribute a percentage of their compensation. The Company, at the discretion of the Board of Directors, matches 100 percent of first 5 percent of salary contributed by the employee. Employer contributions charged to expense for 2023 and 2022 amounted to \$317,396 and \$311,460, respectively.

The Company maintains salary continuation plans for an executive officer and former officer. The plan provides for monthly payments for up to 10 and 20 years, respectively. Benefits payments to the former officer amounted to \$45,520, for each of the years ended December 31, 2023 and 2022, respectively. Benefits will commence to the executive officer at the normal retirement age and will be fully vested after 10 years of service. At December 31, 2023 and 2022, an obligation of \$477,724 and \$469,999, respectively, was included in other liabilities for this plan in the Consolidated Balance Sheet. Expenses related to the salary continuation plans totaled \$61,821 and \$56,305, for the years ended December 31, 2023 and 2022, respectively. Distributions from the plan were \$45,520 for the years ended December 31, 2023 and 2022, respectively.

In September of 2019, the Company entered into a nonqualified deferred compensation agreement with an executive officer to provide supplemental retirement benefits commencing with the executive's retirement, and ending five years thereafter. At December 31, 2023 and 2022, an obligation of \$195,895 and \$127,319, respectively, was included in other liabilities for this agreement in the Consolidated Balance Sheet. Expenses related to the deferred compensation agreement totaled \$68,576 and \$53,966 for the years ended December 31, 2023 and 2022, respectively. There were no distributions from the plan for years ended December 31, 2023 and 2022, respectively.

11. COMMITMENTS

In the normal course of business, there are various commitments that are not reflected in the Company's financial statements. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. Losses, if any, are charged to the allowance for loan losses. Management minimizes its exposure to credit loss under these commitments by subjecting them to credit approval, review procedures, and collateral requirements as deemed necessary.

The off-balance-sheet commitments comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Unused commercial lines of credit	\$ 25,395,635	\$ 23,320,326
Open-end consumer and construction lines of credit	47,024,384	52,730,390
Standby letters of credit	1,613,371	1,723,371
Total	<u>\$ 74,033,390</u>	<u>\$ 77,774,087</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments comprise available commercial and personal lines of credit and loans approved but not yet funded. The amount of collateral obtained, as deemed necessary, is based upon management's credit evaluation in compliance with the lending policy guidelines. Since many of the credit line commitments are expected to expire without being fully drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

At December 31, 2023, the allowance for credit losses for off-balance-sheet commitments was \$425,600.

12. INCOME TAXES

The provision for income taxes is summarized as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ 1,506,594	\$ 1,182,029
Deferred	<u>(79,891)</u>	<u>161,565</u>
Total	<u>\$ 1,426,703</u>	<u>\$ 1,343,594</u>

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, respectively, at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Allowance for credit losses	\$ 962,601	\$ 911,130
Allowance for unfunded commitments	89,376	-
Deferred compensation	141,466	125,443
Net unrealized loss on investment securities	1,946,993	2,704,015
Nonaccrual loan interest	<u>152,285</u>	<u>152,285</u>
Gross deferred tax assets	<u>3,292,721</u>	<u>3,892,873</u>
Deferred tax liabilities:		
Premises and equipment	419,514	333,983
FHLB stock dividends	88,200	88,200
Mortgage servicing asset	61,628	92,948
Intangible assets	418,653	421,854
Other	<u>221,632</u>	<u>195,663</u>
Gross deferred tax liabilities	<u>1,209,627</u>	<u>1,132,648</u>
Net deferred tax assets	<u>\$ 2,083,094</u>	<u>\$ 2,760,225</u>

No valuation allowance was established at December 31, 2023 and 2022, in view of the Company's ability to carry back taxes paid in previous years, certain tax strategies, and anticipated future taxable income as evidenced by the Company's earnings potential.

The reconciliation between the federal statutory rate and the Company's effective income tax rate is as follows:

	<u>2023</u>		<u>2022</u>	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	\$ 1,546,181	21.0 %	\$ 1,445,102	21.0 %
Effect of tax-exempt income	(76,193)	(1.0)	(87,209)	(1.3)
Cash surrender value of life insurance	(54,191)	(0.7)	(52,728)	(0.7)
Other	<u>10,906</u>	<u>0.1</u>	<u>38,429</u>	<u>0.5</u>
Actual tax expense and effective rate	<u>\$ 1,426,703</u>	<u>19.4 %</u>	<u>\$ 1,343,594</u>	<u>19.5 %</u>

U.S. GAAP prescribe a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

12. INCOME TAXES (Continued)

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2020.

13. REGULATORY MATTERS

Cash Requirements

Effective, March 26, 2020, the Federal Reserve reduced requirements to zero for all depository institutions. There were no required federal reserves included in “Cash and due from banks” at December 31, 2023 or 2022. The required reserves are used to facilitate the implementation of monetary policy by the Federal Reserve System. The required reserves are computed by applying prescribed ratios to classes of average deposit balances. These are held in the form of vault cash and a depository amount held with the Federal Reserve Bank. Federal law prohibits the Company from borrowing from the Bank unless the loans are secured by specific collateral.

Dividends

The Bank is subject to a dividend restriction that generally limits the amount of dividends that can be paid by any Ohio state-chartered bank. Under the Ohio Banking Code, cash dividends may not exceed net profits, as defined for that year, combined with retained net profits for the two preceding years less any required transfers to surplus. Under this formula, the amount available for payment of dividends in 2024 would be approximately \$10,663,000 plus 2024 profits retained up to the date of the dividend declaration.

Capital Requirements

The Company and Bank are subject to various capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Company and Bank capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, common equity Tier I to total risk-weighted assets, and Tier I capital to average assets. Management believes, as of December 31, 2023, that the Company and Bank meet all capital adequacy requirements to which they are subject.

13. REGULATORY MATTERS (Continued)

Capital Requirements (Continued)

As of December 31, 2023 and 2022, the Company and Bank are categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital, and Tier I leverage ratios must be at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act established five capital categories ranging from “well capitalized” to “critically undercapitalized.” Should any institution fail to meet the requirements to be considered “adequately capitalized,” it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2023 and 2022, the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, total risk-based, Tier I risk-based, common equity Tier I risk-based, and Tier I leverage capital ratios must be at least 10 percent, 6 percent, and 5 percent, respectively. Management believes, as of December 31, 2023, the Bank met all capital adequacy requirements to which it is subject.

The Bank’s actual capital ratios are presented in the following table, which shows the Bank met all regulatory capital requirements. The capital position of the Company does not differ significantly from Bank’s capital position.

	2023		2022	
	Amount	Ratio	Amount	Ratio
<u>Total capital</u>				
<u>(to risk-weighted assets)</u>				
Actual	\$ 64,995,353	16.04 %	\$ 59,170,471	15.45 %
For capital adequacy purposes	32,411,600	8.00	30,627,920	8.00
To be well capitalized	40,514,500	10.00	38,284,900	10.00
<u>Tier 1 capital</u>				
<u>(to risk-weighted assets)</u>				
Actual	\$ 59,985,541	14.81 %	\$ 54,383,534	14.20 %
For capital adequacy purposes	24,308,700	6.00	22,970,940	6.00
To be well capitalized	32,411,600	8.00	30,627,920	8.00
<u>Common equity Tier 1 capital</u>				
<u>(to risk-weighted assets)</u>				
Actual	\$ 59,985,541	14.81 %	\$ 54,383,534	14.20 %
For capital adequacy purposes	18,231,525	4.50	17,228,205	4.50
To be well capitalized	26,334,425	6.50	24,885,185	6.50
<u>Tier 1 capital</u>				
<u>(to average assets)</u>				
Actual	\$ 59,985,541	9.76 %	\$ 54,383,534	9.06 %
For capital adequacy purposes	24,586,172	4.00	24,001,050	4.00
To be well capitalized	30,732,716	5.00	30,001,312	5.00

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive (loss) income by component net of tax for the years ended December 31, 2023 and 2022.

	<u>Net Unrealized Gain (Loss) on Securities</u>
Accumulated other comprehensive loss, December 31, 2021	\$ (731,202)
Other comprehensive loss before reclassification (net of tax)	<u>(9,441,044)</u>
Total other comprehensive loss	(9,441,044)
Accumulated other comprehensive loss, December 31, 2022	\$ (10,172,246)
Other comprehensive income before reclassification (net of tax)	<u>2,847,846</u>
Total other comprehensive income	<u>2,847,846</u>
Accumulated other comprehensive loss, December 31, 2023	<u>\$ (7,324,400)</u>

There were no significant amounts reclassified out of each component of accumulated other comprehensive (loss) income at December 31, 2023 and 2022.

15. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels of pricing observations are as follows:

- Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
- Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.
- Level III: Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

15. FAIR VALUE MEASUREMENTS (Continued)

The following tables present the assets measured on a recurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2023 and 2022, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2023			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
U.S. government agency securities	\$ -	\$ 68,797,084	\$ -	\$ 68,797,084
U.S. treasury securities	-	15,207,176	-	15,207,176
Mortgage-backed securities	-	30,529,854	-	30,529,854
Obligations of states and political subdivisions	-	2,699,489	-	2,699,489
Total	\$ -	\$ 117,233,603	\$ -	\$ 117,233,603

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets measured at fair value on a recurring basis:				
U.S. government agency securities	\$ -	\$ 71,351,498	\$ -	\$ 71,351,498
U.S. treasury securities	-	32,468,759	-	32,468,759
Mortgage-backed securities	-	33,405,967	-	33,405,967
Obligations of states and political subdivisions	-	3,002,068	-	3,002,068
Total	\$ -	\$ 140,228,292	\$ -	\$ 140,228,292

Investment Securities

The fair value of investment securities available for sale is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2023 and 2022, by level within the fair value hierarchy.

	December 31, 2023			
	Level I	Level II	Level III	Total
Assets measured at fair value on a nonrecurring basis:				
Collateral dependent loans	\$ -	\$ -	\$ 590,235	\$ 590,235

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets measured at fair value on a nonrecurring basis:				
Impaired loans	\$ -	\$ -	\$ 752,615	\$ 752,615

15. FAIR VALUE MEASUREMENTS (Continued)

Collateral Dependent Loans

Collateral dependent loans consisted of primarily of loans secured by nonresidential real estate. Management has determined fair value measurements on collateral dependent loans primarily through evaluations of appraisals performed. Due to the nature of the valuation inputs, collateral dependent loans are classified within Level 3 of the hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral securing collateral-dependent loans are obtained when the loan is determined to be collateral-dependent. Appraisals are reviewed for accuracy and consistency by the Company's Chief Credit Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values may be reduced by discounts to consider lack of marketability. Appraised values are reduced by estimated costs to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Company's Chief Credit Officer by comparison to historical results.

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company uses Level III inputs to determine fair value:

Quantitative Information About Level III Fair Value Measurements								
	Fair Value at December 31, 2023	Fair Value at December 31, 2022	Valuation Techniques	Unobservable Inputs	December 31, 2023		December 31, 2022	
					Range	Weighted Average	Range	Weighted Average
Collateral dependent loans	\$ 590,235	\$ 752,615	Appraisal of collateral (1)	Discount for time since last appraisal Selling costs	0% - 50% 0% - 10%	5.42% 9.70%	0% - 50% 0% - 10%	31.33% 6.05%

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level III inputs that are not identifiable.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's financial instruments not required to be reported at fair value at December 31 are as follows:

	2023				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	\$ 9,402,272	\$ 8,469,644	\$ -	\$ 8,469,644	\$ -
Net loans	437,298,154	424,630,153	-	-	424,630,153
Financial liabilities:					
Deposits	525,717,725	523,577,086	372,809,586	-	150,687,130
Short-term borrowings	\$ 27,000,000	\$ 27,003,364	\$ 27,003,364	\$ -	\$ -
	2022				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities:					
Held to maturity	\$ 10,734,567	\$ 9,591,556	\$ -	\$ 9,591,556	\$ -
Net loans	389,156,675	385,280,675	-	-	385,280,675
Financial liabilities:					
Deposits	525,457,022	520,430,036	414,999,666	-	105,430,370
Short-term borrowings	\$ 20,000,000	\$ 19,996,000	\$ 19,996,000	\$ -	\$ -

For cash and cash equivalents, regulatory stock, bank-owned life insurance, loans held for sale, accrued interest receivable, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

17. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 8, 2024 the date the financial statements were issued, and no subsequent events occurred that require accrual or disclosure.

BOARD OF DIRECTORS

TERRY GOSS, *Chairman*
DOUG WALTMAN, *Vice Chairman*
JOHN ALLEN, *Secretary*
BRANDON HESS
ERIC HOLSKY
MONICA MARTINELLI
RANDY BUCKLEY
TOM BARONE

MANAGEMENT/OFFICERS

ADELE GALL
SVP/Chief Financial Officer

ASHLEY NOTT
Assistant Investment Officer

AMBER GIBSON
VP/South Zanesville Office Manager

ANGIE GRIGG
East Zanesville Office Manager

BECKY VANSICKLE
VP/Frazeysburg Office Manager

BLAIR BARCLAY
AVP/Downtown Zanesville Office Manager

BRENT MIRGON
VP/Business Banker

CAM ZAKANY
AVP/Controller

CHRIS CLEWELL
VP/Investment Officer

CINDY JACKSON
VP/Crooksville Office Manager

CINDY RICE
VP/Employment Development Officer

COLIN MCCALL
SVP/Senior Trust Officer

CORTNEY HILES
AVP/Secondary Market Coordinator/
Loan Systems Administrator

DERRICK GINGERICH
VP/Business Development Officer

ERIC HOLSKY
President/CEO

ERIKA POLLARD
AVP/West Market Mortgage Officer

GIDGET COTTRELL
VP/Compliance/S.A.F.E. Act Officer

JENNY SNODE
AVP/Financial Services/Deposit Product
Development Officer

JESSICA BOWERS
VP/Marketing Officer

JESSICA PRITCHARD
AVP/Credit Admin Manager

JIM HOLMAN
SVP/West Market Leader

JOE ALLEN
SVP/Central Market Leader

JORDAN WEST
Deposit Operations Manager

KAITLYN NOVARIA
North Zanesville Office Manager

KAITLYN STEVENSON
AVP/Loan Operations Officer

KYLE GREULICH
VP/IT/Information Security Officer

LANCE BENNETT
SVP/Credit Risk Officer

LISA KARLING
AVP/Central Market Mortgage Officer

MATT ALLRED
AVP/New Concord Office Manager

MICHAEL LIGHTLE
VP/Business Development Officer

MICHELLE WILLIAMS
VP/Human Resources Officer

MOLLY FISHER
AVP/NAR/Community Coordinator Perry
& Morgan Counties

NAT SCHNEIDER
Business Banker

PATSY SAMSON
AVP/Customer Care Officer

PAUL RAGIAS
SVP/Chief Operations Officer

RACHEL HOLDSWORTH
AVP/Newark Office Manager

RICK AICHELE
VP/Consumer Lending

ROB SMITH
Business Banker

RON DAVIS
SVP/Senior Financial Officer

RUSTY PARSONS
Cambridge Office Manager

SCOTT WOODS
AVP/Project Manager

SHANDON GINGERICH
VP/Banking Offices Administrator

SHARON GEORGE
Mortgage Loan Specialist

SUSIE WILLISON
VP/Digital Banking Officer

TACI CARMICHAEL
Mortgage Loan Specialist

TESSA HARRIS-CRAYCRAFT
West Zanesville Office Manager

TOM WEEKS
VP/Senior Residential Mortgage Underwriter

TRICIA BURROW
AVP/Collections Manager

TRISH BROWN
Mortgage Loan Specialist

TRISH LOOMIS
AVP/BSA/Safety & Security Officer

OFFICE & ATM LOCATIONS

Cambridge Downtown Office and ATM

902 Wheeling Avenue
Cambridge, Ohio 43725
740.432.4957

Crooksville Office

42 East Main Street
Crooksville, Ohio 43731
740.982.5010

Downtown Zanesville Office and ATM

113 North Fifth Street
Zanesville, Ohio 43701
740.454.1600

East Zanesville Office and ATM

4990 East Pike
Zanesville, Ohio 43701
740.452.2072

Frazeysburg Office and ATM

10 West Third Street
Frazeysburg, Ohio 43822
740.828.3500

Heath Lending Center and ATM

1102 Hebron Road
Heath, Ohio 43056
740.522.8900

Johnstown Lending Center

580 W. Coshocton Street
Johnstown, Ohio 43031
740.487.9523

Newark Office and ATM

835 North 21st Street
Newark, Ohio 43055
740.915.6820

New Concord Office and ATM

199 West Main Street
New Concord, Ohio 43762
740.826.1100

North Zanesville Office and ATM

3795 NorthPointe Drive
Zanesville, Ohio 43701
740.450.3500

South Zanesville Office and ATM

2750 Maysville Pike
Zanesville, Ohio 43701
740.454.2265

West Zanesville Office and ATM

3960 Dillon Falls Road
Zanesville, Ohio 43701
740.450.2781

Additional ATM Locations

Crooksville ATM

91 South Buckeye Street
Crooksville, Ohio 43731

Dresden ATM

67 W. Dave Longaberger Avenue
Dresden, Ohio 43821

Zanesville ATM

1103 Linden Avenue
Zanesville, Ohio 43701



A Division of The Community Bank

113 North Fifth Street
Zanesville, Ohio 43701
740.453.0620



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